

Fiscal Year 2007 Amended and Fiscal Year 2008 Governor's Recommended Budget

Presentation to
House Appropriations Subcommittee
February 14, 2007



Agenda

- Annualized Recommendations from FY 2007
- Statewide Budget Changes
- Medicaid/PeachCare for Kids
 - Growth in Medicaid Benefits in FY 2008
 - Administrative Transfer
 - Program Enhancements
- State Health Benefit Plan
 - Growth in SHBP
 - Other Post Employment Benefits
- Health Access and Improvement
 - New Initiatives and Reductions in One-Time Funds
- Department
 - Changes to Programmatic Budget Structure
- Budget Summary



FY 2007 Recommendations Annualized

- Health Improvement Advisory Board support (p. 4, #17.0.6)
- Administrative Support with new FTE's
 - Contract Management (8) (p. 4, #17.1.2)
 - Legal Counsel (2) (p. 4, #17.1.3)
 - SHBP Auditors (2) (p. 4, #17.0.12)
 - Member Eligibility (3) (p. 4, #17.0.11)
- Nursing Home Provider Fee Increase and Resulting Medicaid Rate Increase (p. 5, #17.6.7)

Statewide Budget Changes

(p.4, #17.0.1 – 17.0.6) – \$1,469,139

- Annualized FY 2007 Salary Adjustment (\$147,916)
- Increase in Georgia Building Authority real estate rental (\$116,977)
- Increase in Employer Share of SHBP costs (\$813,737)
- Increase in Workers' Compensation premiums (\$73,496)
- 3% Salary and Performance Increases effective January 2008 (\$317,013)

Medicaid/PeachCare for Kids

Growth in Medicaid Benefits - FY 2008

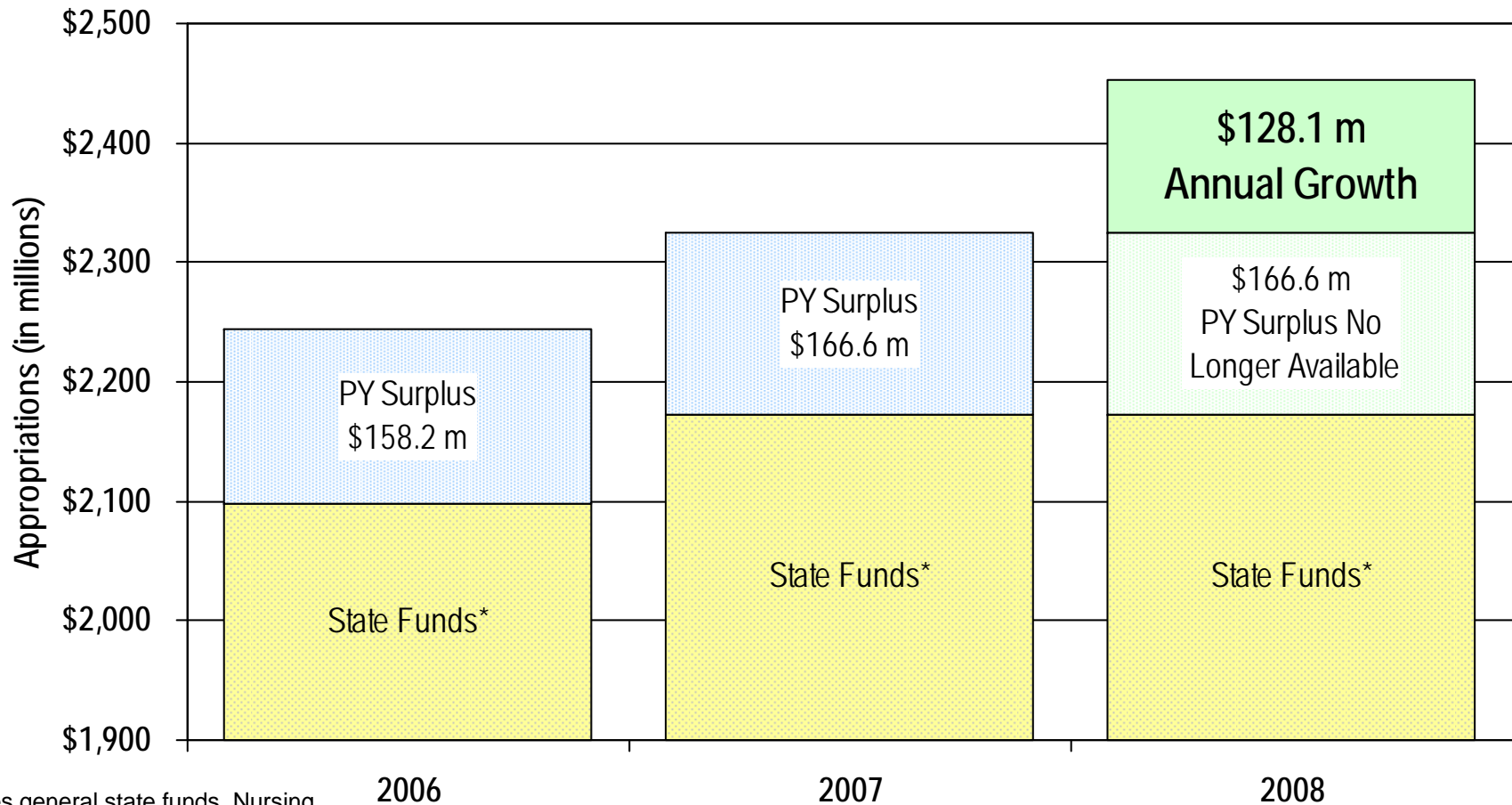
FY 2008 Total Incurred Expense projected to be 5.8% higher as compared to FY 2007

- \$391.7 m in Total Expense and **\$128.1 m in DCH State Funds**
 - Projected **3.7%** enrollment growth: ~50,000 members
 - 1.37 m projected average monthly members
 - Growth in Low-Income Medicaid (LIM) population
 - Assume medical CPI* growth in Care Management Organization (CMO) capitation rates (will depend on actuarial-based negotiations with CMOs)
 - Enrollment and PMPM costs in Aged, Blind and Disabled expected to be stable due to FY 2007 implementation of administrative services organizational (ASO) functions.

* Consumer Price Index

Medicaid/PeachCare for Kids

Growth in Medicaid Benefits - FY 2008



*Includes general state funds, Nursing Home Provider Fees and CMO Quality Assessment Fees

Medicaid/PeachCare for Kids

Growth in Medicaid Benefits - FY 2008

Fiscal Year	Reference	Program	Description	Amount
AFY 2007		ABD	Pre-fund projected FY 2008 Medicaid expenses.	\$68,442,958
AFY 2007		LIM	Pre-fund projected FY 2008 Medicaid expenses.	\$671,660
FY 2008	p. 4 Item #17.0.8	Medicaid	Provide funds for Medicaid incurred benefits growth.	\$59,018,607
Total Funds for FY 2008 Medicaid Growth				\$128,133,225

Department Administrative Transfer

PROGRAM TRANSFERS FOR GEORGIA HEALTHY FAMILIES

Fiscal Year	Reference	Program	Description	Amount
FY 2008	p. 4 Item #17.0.13	Medicaid	Transfer funds to reflect administrative rate adjustments.	\$8,214,959
FY 2008		PeachCare for Kids	Transfer funds to reflect administrative rate adjustments.	(\$8,214,959)
Total Funds for FY 08 Program Transfers				\$ -



Medicaid/PeachCare for Kids Program Enhancements

PROGRAM INTEGRITY

(p. 4, #17.0.10) Transfer \$1.9 m - Total Funds; \$938 k – State Funds

- 5 FTE's for Medicaid/PeachCare for Kids Program Integrity (\$138 k)
 - Claims screening for over-utilization (2 FTE's)
 - Pharmacy Lock-In Program
 - License Verification and Provider Linkage System (2 FTE's)
- Claims Screening Software (\$800 k)

EXTERNAL QUALITY REVIEW ORGANIZATION

(p. 4, #17.1.1) - \$8.0 m - Total Funds; \$3.9 m – State Funds

- Federally required
- Independent review of Care Management Organizations to assess quality, access, and performance outcomes for the Georgia Healthy Families program.

Medicaid/PeachCare for Kids Program Enhancements

INTERNAL ACTUARY

(p. 4, #17.1.4)

- \$145 k – Total Funds; \$58 k - State Funds

SERVICE OPTIONS USING RESOURCES IN A COMMUNITY ENVIRONMENT (SOURCE)

(p. 5, #17.6.5)

- Enhanced case management program available to members who are aged, blind, or disabled who are eligible for institutional care
- Helps coordinate long-term care benefits to support the needs of members residing in community-based settings
- Current rate = \$150 PMPM
- Governor's budget proposes \$25 PMPM increase; new rate at \$175 PMPM
- \$2.4 m - Total Funds; \$900 k – State Funds

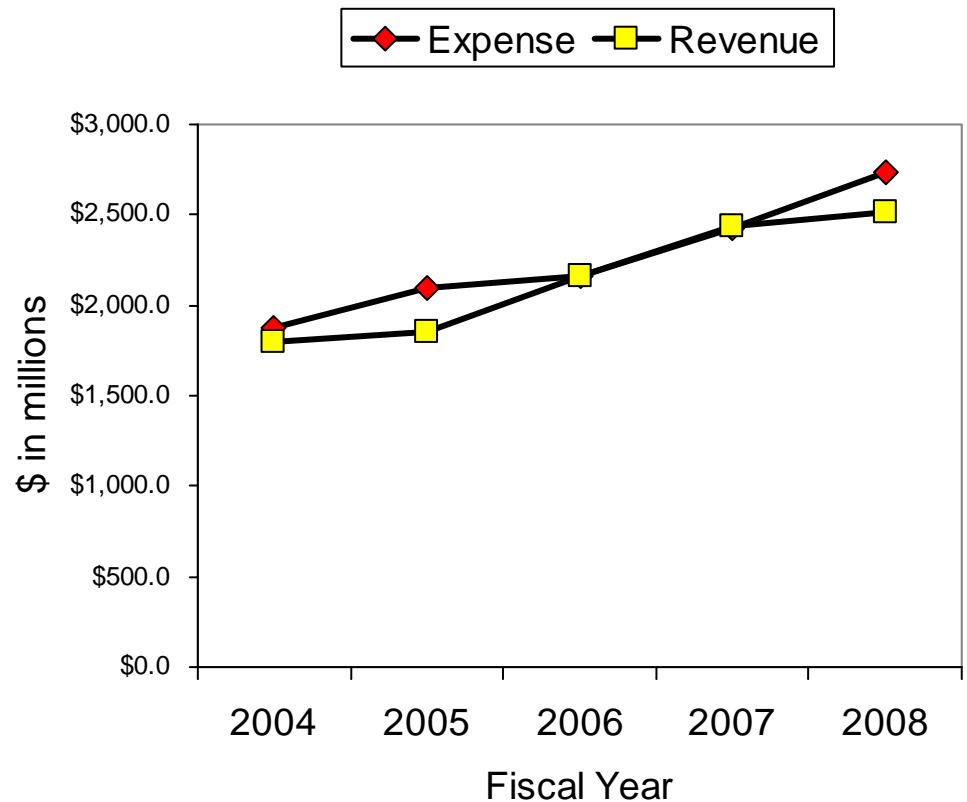
State Health Benefit Plan

Growth in SHBP

FY 2008 FISCAL OVERVIEW

- Total Expenditure Growth at **12.7%** in FY 2008
 - 10.2% PMPM growth
 - 2.5% enrollment growth (~8,000 employees new to SHBP)
- Need **\$215 million** in new revenue or expenditure reduction

SHBP Fiscal Status



State Health Benefit Plan

Growth in SHBP

\$215 MILLION NEED COVERED BY:

- Increasing the employer's contribution by **increasing the percent of payroll by 1.821%** (from 16.713% to 18.534%).
 - **\$176 million** appropriated to executive branch state agencies and local boards of education to cover an increase in employers' contributions. (page 5, #17.8.1)
 - **\$9 million** received from additional employers' contributions made by the Legislative and Judicial branches. (Currently not reflected in the Governor's Budget recommendations)
- Increasing the employee's contribution by **increasing premiums by 10% beginning January 1, 2008. (\$30 million)**

State Health Benefit Plan

Growth in SHBP

EMPLOYEE CONTRIBUTION INCREASE

- PPO Increase estimated to cost members with single coverage an additional \$7.11 per month, while members with family coverage would pay \$21.72 more.

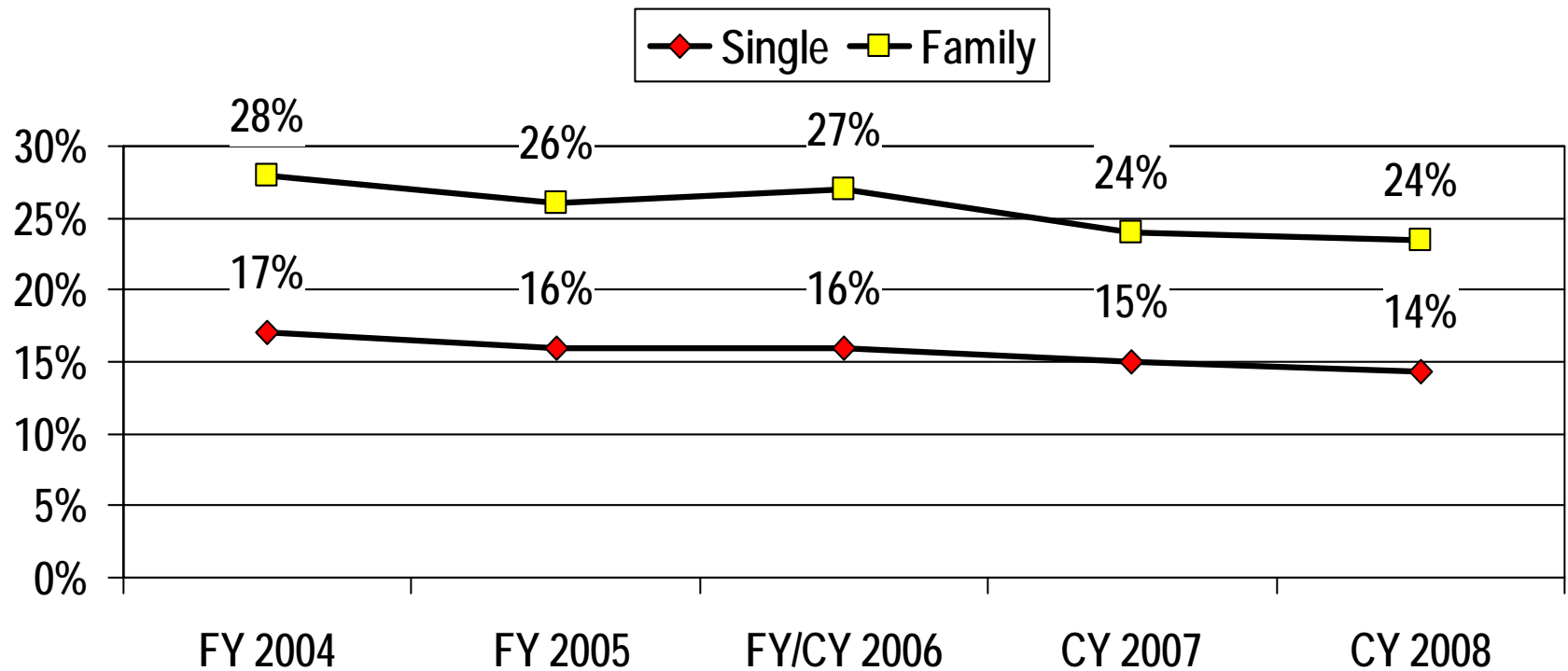
FY 2007 Salary	FY 2008 3% Salary Increase on Sept 1, 2007*	PPO Family FY 2008 Increase on Jan 1, 2008	FY 2008 Difference	Net % Increase
\$30,000	\$750	\$130.32	\$620	2.1%
\$40,000	\$1,000		\$870	2.2%
\$50,000	\$1,250		\$1,120	2.2%

*Reflects effective pay raise date for teachers – does not consider step increases for longevity for teachers; non-certificated school service personnel receive a three percent increase on July 1, 2007 and state employees receive a three percent increase on January 1, 2008

State Health Benefit Plan

Growth in SHBP

History Employee Share of PPO Premiums



State Health Benefit Plan

Other Post Employment Benefits

- States are required to disclose their liabilities for **Other Post Employment Benefits** (OPEB) beginning in FY 2007.
- The State Health Benefit Plan's OPEB liability is \$15 billion based on a June 30, 2005 valuation. The Annual Required Contribution (ARC) to satisfy this liability is \$1.26 billion a year for 30 years.
- The Governor has recommended **\$100 million** to begin to address the annual OPEB liability for state agencies. (page 5, #17.8.1)
- The \$100 million is generated by increasing state agency payroll contributions by 4.3% from 18.534% to 22.843%.

There are no reductions in retiree benefit coverage or increases in retiree premium cost (other than the 10% premium increase recommended for all members) in Calendar Year 2008.



Health Care Access and Improvement

New Initiatives

HEALTH INFORMATION TECHNOLOGY

(p. 4, #17.3.1) - \$1 m State General Funds

Transparency - Web site development and implementation

- Georgia Compare Care Web site – pricing and quality information

Pilot project funding - based on Advisory Board recommendations

- 4 projects
 - Health Information Exchange
 - Electronic Health Records
 - E-Prescribing
 - Health Information Decision Support System

Health Care Access and Improvement

Reductions in One-Time Funds

REDUCTIONS

FY 2008 base budget must be adjusted to reflect the deletion of one-time funds appropriated in FY 2007:

- \$150 k – Oconee Medical Center radiation equipment (p. 4, #17.3.2)
- \$200 k – Southwest Georgia Cancer Coalition (p. 4, #17.3.3)
- \$750 k – statewide electronic medical records system for primary health care centers (p. 4, #17.3.5)

Health Care Access and Improvement New Initiatives

RURAL GEORGIA - HEALTH CARE ACCESS

(p. 4, #17.3.4) - \$1.5 m Tobacco Settlement Funds

Purpose - Georgia's Rural Health Safety Net Program

Invest in the creation of non-traditional, regional systems that are financially viable and designed to meet the health needs and service demands of rural communities.

Desired Outcomes are:

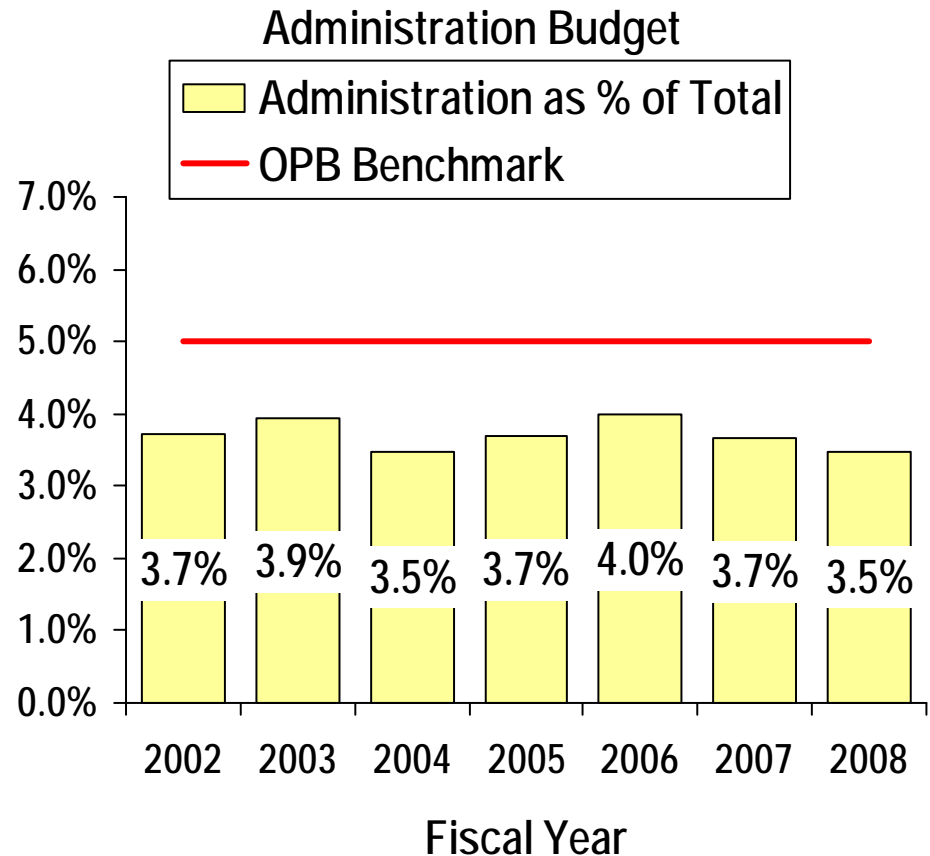
- Improve rural health
- Strengthen the health care safety net
- Introduce health care as a strategic industry in Georgia

The FY 2008 funds will provide for the planning and development phase-in for three to five regions. Funding will be awarded through a competitive application process.

Department Administrative Support

DCH ADMINISTRATION

- DCH* has 465 budgeted FTE's providing administration of an **\$11 billion budget** and healthcare coverage for **2.3 million members** or 26% of the state's population
- FY 2007 Administration as Percent of Total Budget: **3.7%** (compare to OPB Benchmark of 5%)
- Per AON and Mercer, average administrative expenses for large insurers 10–12%



* Not included attached agencies

Department Changes to Programmatic Budget Structure

A. Current Program Structure		B. Proposed Structure	
1. Aged, Blind and Disabled Medicaid (p. 5, #17.6.1)	(\$1,088,523,973)	1. Medicaid (p. 5, #17.6.1) <i>Sub-Programs</i>	State General: \$2,118,562,926 Tobacco: + \$50,973,656 Total: \$2,169,536,582
2. Low-Income Medicaid (p. 5, #17.6.1)	(\$785,251,142)		1) Aged, Blind and Disabled Medicaid 2) Low-Income Medicaid 3) Nursing Home Provider Fees 4) Medicaid CMO QA Fee
3. Low-Income Medicaid - tobacco	(\$50,973,656)		
4. Nursing Home Provider Fees (p. 5, #17.6.1)	(\$99,287,176)		
5. Indigent Care Trust Fund (p.5, #17.6.1)	(\$145,500,635)		
6. PeachCare for Kids (PCK) (p. 5, #17.9.1)	No Fiscal Change	2. PCK (p. 5, #17.10.2) <i>Sub-Programs</i>	1) PeachCare Benefits 2) PeachCare CMO QA Fee
7. State Health Benefit Plan (SHBP)	No Change	3. SHBP	No Change
8. Health Access and Improvement	No Change	4. Health Access and Improvement	No Change
9. Administration	No Change	5. Administration	No Change
TOTAL	(\$2,169,536,582)		\$2,169,536,582

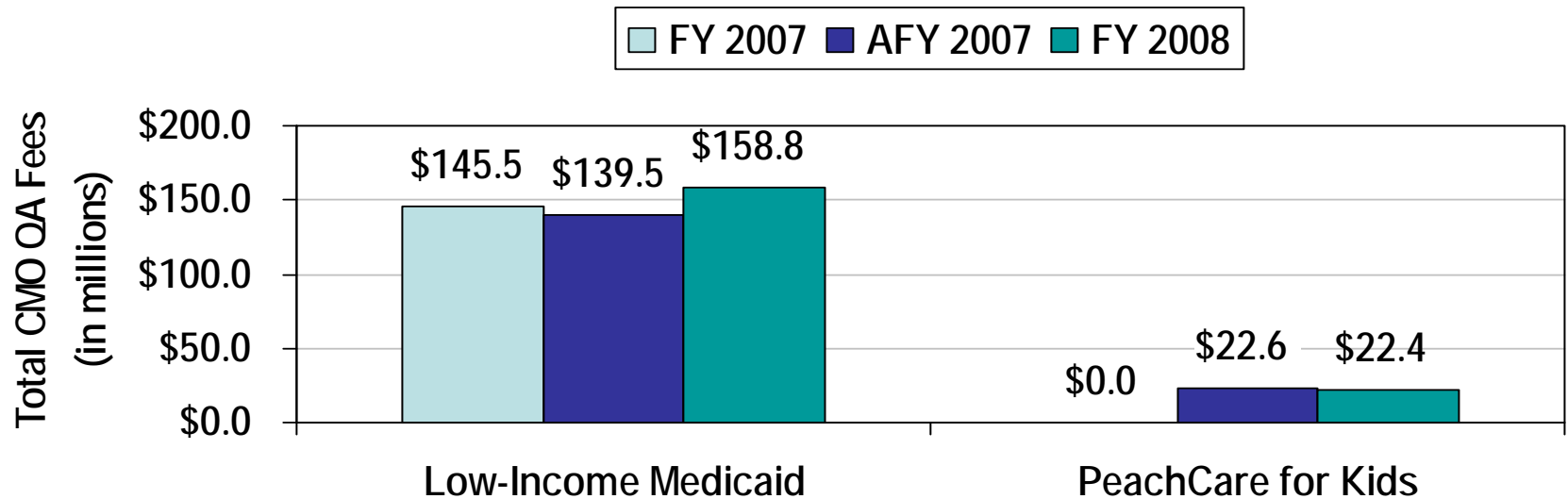


Department Account Adjustments

CMO QUALITY ASSESSMENT FEES

(p. 5, #17.6.4, 17.10.1)

Reflect projected quality assessment fees for the Low-Income Medicaid and PeachCare for Kids programs.



Detailed Review of FY 2008 FY 2008 Budget Summary

Fund Type	FY 2007 Current Budget	FY 2008 Governor's Recommendation	Difference
Total Funds	\$10,977,722,783	\$11,747,400,869	\$769,678,068
State and Tobacco Funds	\$2,379,182,299	\$2,503,109,178	\$123,926,879
Federal and Other Funds	\$8,598,540,484	\$9,244,291,691	\$645,751,207

FY 2008 – 5.4% Increase in State Funds Budget

Medicaid: \$101.4 m – Includes partial FY 08 Medicaid growth and increases in provider fees for Nursing Homes and CMOs

Administration: \$6.5 m – Reflects funding for managed care quality review; new administrative resources; and statewide administrative changes

PeachCare for Kids: \$14.2 m – Reduces CMO administration rates and shows changes to CMO fees

Health Care Access: \$1.6 m – Adds funds for rural health and HIT; reduces one-time FY 07 funding

Attached Agencies: \$211.3 k

Total New State Funds: \$123.9 m

State Health Benefit Plan: \$275.9 m – Other funds for OPEB and employer contributions

